

Message Text

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PAGE 01 BEIRUT 03290 151316Z
ACTION EB-08

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DODE-00 DOE-15 H-01 INR-10 INT-05 L-03 NSAE-00
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E.O. 11652: N/A
TAGS: ENRG, ECON, LE
SUBJ: GOL-MOBIL-CALTEX NEGOTIATIONS ON FUTURE OF MEDRECO REFINERY

1. SUMMARY: LATEST ROUND OF SUBJECT TALKS ENDS WITH NO AGREEMENT IN SIGHT. END SUMMARY.
2. REPRESENTATIVES OF CALTEX AND MOBIL, 50-50 OWNERS OF THE MEDRECO REFINERY AT ZAHRANI, LEBANON, VISITED BEIRUT JUNE 8-14 TO NEGOTIATE WITH GOL MIN INDUSTRY MICHEL DOUMIT OVER FUTURE OF REFINERY. ALTHOUGH POINTS AT ISSUE INCLUDED BACK TAXES, PLACEMENT OF FUNDS ACCRUED FOR EMPLOYEES' SEPARATION ALLOWANCES AND A RESIDUE OF PAST NEGOTIATING POSITIONS RE-LEBANCE OF WHICH CONTINUES TO BE ARGUED, ESSENCE OF CALTEX-MOBIL POSITION IS THAT UNDER PRESENT PROCESSING AGREEMENT WITH GOL THE REFINERY BARELY RETURNS ITS COSTS, AND DOES NOT PROVIDE CASH FLOW SUFFICIENT TO SERVICE LOANS NEEDED IF RESTORATION AND NECESSARY IMPROVEMENTS TO REFINERY ARE TO BE UNDERTAKEN. ACCORDINGLY, CALTEX-MOBIL SEEK AN INCREASE IN GOL PROCESSING PAYMENTS SUFFICIENT TO PROVIDE MARGIN FOR PROFIT, IMPROVEMENT AND TAXES, AS WELL AS COVER COSTS. CALTEX-MOBIL CLAIM NEEDED INCREASE WOULD HAVE NEGLIGIBLE EFFECT ON PRICE OF

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GASOLINE AT THE PUMP, RAISING IT FROM LL 15 TO LL 15.25 PER 20 LITERS.

3. GOL POSITION IS AMBIGUOUS. GOL APPEARS TO ASSUME CALTEX-MOBIL CAN KEEP REFINERY RUNNING AT LOW PROFIT WITH BAILING WIRE REPAIRS AS THEY DID LASR AND SEEMS NOT TO TAKE VERY SERIOUSLY CALTEX-MOBIL OPTION OF SELLING REFINERY IF BETTER

AGREEMENT IS NOT REACHED. OIL EXPERTS IN TOWN SUSPECT THAT MIN INDUSTRY DOUMIT IS INTERESTED IN ACQUIRING THE REFINERY HIMSELF, AS HE ACQUIRED ESSO'S FERTILIZER PLANT SOME YEARS AGO. SINCE DOUMIT, AS LEBANON'S LARGEST INDUSTRIALIST, HAS ADEQUATE FINANCIAL CAPACITY TO BUY REFINERY IF IT WERE PUT UP FOR SALE, CALTEX-MOBIL ALSO SUSPECT HE MAY HAVE ULTERIOR INTEREST IN BLOCKING ANY AGREEMENT THAT WOULD INSPIRE OIL COMPANIES TO CONTINUE OPERATING THE FACILITY.

4. IN ANY CASE, LATEST ROUND OF TALKS YIELDED NO VISIBLE PROGRESS TOWARD A REVISED AGREEMENT. AFTER CORDIAL OPENING SESSION, DOUMIT AND GOL TEAM STEERED DISCUSSION TO ISSUES FIRST ARGUED IN 1973, WHEREUPON TALKS DISSIPATED INTO RESTATEMENT OF PAST POSITIONS ON THOSE MATTERS. TEAMS EXCHANGED MINUTES OF MEETING JUNE 14, CALTEX-MOBIL WILL SEND A WRAP-UP POSITION STATEMENT FROM NEW YORK, AND IT APPEARS THAT SITZKRIEG WILL CONTINUE UNLESS OIL COMPANIES FORCE ISSUE BY SEEKING TO SELL REFINERY.

5. COMMENT. CALTEX IS LAST US OIL COMPANY WITH A RETAIL GASOLINE NETWORK IN LEBANON; MOBIL SOLD ITS STATIONS TO EMPLOYEES EARLY IN THE WAR. MEDRECO HAFINERY IS NO LONGER A MONEY-MAKER FOR EITHER HUGE COMPANY AND NOW THAT THEY HAVE DEPRECIATED IT DOWN TO \$2 MILLION OR LESS, THEY WILL NOT FIGHT HARD FOR IT. COMPANIES HAVE INFORMED EMBASSY OF TALKS BUT HAVE NOT ASKED EMBASSY TO MAKE REPRESENTATION TO GOL. WE COULD LIMITED OFFICIAL USE

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PERHAPS DO SO EFFECTIVELY AT SOME FUTURE POINT IF THERE IS INDEED A CONFLICT OF INTEREST BETWEEN DOUMIT-MINISTER AND DOUMIT-INDUSTRIALIST TO BE EXPOSED. MEANWHILE, AN EFFORT BY COMPANIES TO SELL REFINERY MIGHT SERVE TO CLARIFY DOUMIT'S POSITION ON THAT SCORE.

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